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UNCLAS LIMA 003534

SIPDIS

DEPT FOR WHA/AND, WHA/EPSC, EB/CIP
COMMERCE FOR 4331/MAC/WH/MCAMERON
USTR FOR KENNETH SCHAGRIN, JONATHAN MCHALE
FCC INTERNATIONAL BUREAU FOR ETALAGA

SENSITIVE

E.O. 12958: N/A

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SUBJECT: AMERICA MOVIL BUYS PERU'S SECOND LARGEST MOBILE
OPERATOR

REF: LIMA 2025

1. (SBU) Summary. America Movil, one of the largest mobile telecommunications providers in South America, expanded its infant operations in Peru on August 11 with the \$503 million purchase of TIM Peru. Although TIM, Peru's second largest mobile provider with 31 percent of the market, recently completed an aggressive campaign to attract new customers, Telecom Italia decided to reduce its footprint in Peru. With the acquisition, America Movil becomes Peru's second largest mobile operator. GOP officials believe that the competition between America Movil and Telefonica will drive down costs and stimulate competitiveness in the market. End Summary.

And Then There were Three

2. (U) America Movil, a Mexican company owned by Carlos Slim that entered the Peruvian telecommunications market in March with the \$21.1 million purchase of the fourth band (reftel), expanded operations by acquiring TIM Peru's operations. America Movil paid Telecom Italia, the owner of TIM Peru, \$503 million on August 11. TIM is the second-largest mobile company in Peru, with approximately 31 percent of the market and more than 1.5 million subscribers. According to Telecom Italia officials, the company was looking to reduce its operations in South America. With the TIM Peru sale, Telecom Italia earned a \$135 million profit.

3. (U) According to Vice Minister of Communications Juan Pacheco, America Movil's acquisition of TIM should improve competitiveness in the telecommunications sector. America Movil, he asserted, has successful operations in many Latin American countries and should be able to compete with Telefonica MoviStar, Peru's largest mobile operator with 65 percent of the market. Pacheco also indicated that Peru's mobile market is underdeveloped, with only 14 percent of Peruvians with mobile connectivity. The market, therefore, should attract several new mobile operators over the next few years. The Ministry of Transportation and Communications (MTC) expects telecommunications companies to invest approximately \$300 million in 2005 to expand and improve services.

Comment

4. (SBU) Peru's telecommunications industry, particularly the mobile sector, is underdeveloped. While America Movil's purchase of TIM reduces the number of mobile providers in the market, it should spark improved competition with Telefonica, perhaps culminating in lower prices for consumers.

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